

RECORDATION NO. 23168 FILED

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OCT 18 '00 2-43 PM
TS
SURFACE TRANSPORTATION BOARD

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

October 16, 2000

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are four (4) copies of a Security Agreement, dated October 18, 2000, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Borrowers: Helm Holding Corporation
Helm Financial Corporation
Helm Locomotive Leasing Corporation
One Embarcadero Center
San Francisco, CA 94111

Secured Party: Fleet National Bank
100 Federal Street
Boston, MA 02110

A description of the railroad equipment covered by the enclosed document is:

All railroad rolling stock of the Borrowers whether NOW OWNED OR HEREAFTER
ACQUIRED

Mr. Vernon A. Williams
October 16, 2000
Page Two

A short summary of the document to appear in the index follows:

Security Agreement among Helm Financial Corporation, Helm Locomotive Leasing Corporation and Helm Holding Corporation, Borrowers, and Fleet National Bank, Secured Party, covering all railroad rolling stock of the Borrowers whether NOW OWNED OR HEREAFTER ACQUIRED.

Also enclosed is a check in the amount of \$26.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Alvord', written in a cursive style.

Robert W. Alvord

RWA/anm
Enclosures

OCT 18 '00

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SECURITY AGREEMENT

SURFACE TRANSPORTATION BOARD

SECURITY AGREEMENT, dated as of October 18, 2000 (this "Agreement"), among HELM HOLDING CORPORATION, a California corporation ("Holding"), HELM FINANCIAL CORPORATION, a California corporation ("HFC"), HELM LOCOMOTIVE LEASING CORPORATION, a California corporation ("HLLC"), each other subsidiary of Holding or HFC that becomes a party hereto from time to time as provided in §22 (collectively, the "Subsidiary Grantors") (Holding and HFC are referred to together as the "Borrowers" and the Borrowers and all Subsidiary Grantors are referred to collectively as the "Grantors"), and FLEET NATIONAL BANK ("Fleet"), as collateral agent (in such capacity, the "Agent") for the Lenders (as defined in the Credit Agreement referred to below) (the Agent and the Lenders are referred to herein collectively as the "Secured Parties").

Reference is made to (a) the Revolving Credit and Term Loan Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), among the Borrowers, the Lenders and the Agent, and (b) the Guaranty Agreement of even date therewith, pursuant to which the Subsidiary Grantors and certain other subsidiaries from time to time shall be jointly and severally obligated as guarantors of the obligations of the Borrowers under the Credit Agreement and under the other Loan Documents (as defined in the Credit Agreement). The Lenders have agreed to make Loans to the Borrowers pursuant to and subject to the terms and conditions specified in the Credit Agreement. The obligations of the Lenders to make such Loans are conditioned upon, among other things, the execution and delivery by the Grantors of this Agreement and to secure the Obligations. Unless otherwise indicated, defined terms in the Credit Agreement are used herein with the same meanings.

The Grantors and the Agent (for the benefit of itself and all of the other Secured Parties), hereby agree as follows:

FOR VALUE RECEIVED, the receipt of which is hereby acknowledged, including enabling the Holding and HFC to obtain credit or other financial accommodations from the Lenders, each Grantor hereby agrees as follows:

§1. Grant of Security Interest. To secure the payment and performance of the Obligations (as defined in §2), each Grantor hereby assigns, pledges, mortgages and grants to the Agent a continuing security interest in and Lien on all of such Grantor's right, title and interest in and to all properties, assets and rights of such Grantor, wherever located, now owned or hereafter acquired or arising, including, without limiting the generality of the foregoing, such right, title and interest in and to the following properties, assets and rights (all of which, together with the foregoing, are hereinafter sometimes collectively referred to as the "Collateral"):

(a) All locomotives, box-cars, covered hopper cars, flat cars, chip cars, gondola cars, railroad intermodal equipment, other railroad rolling stock, chassis, trailers, shipping containers and all other equipment that is owned by any Grantor in connection with railroad or related transportation, together with (a) any and all parts, mechanisms, devices and replacements from time to time incorporated in or installed on or attached to any of such Transportation Equipment, (b) any and all additions and improvements from time to time incorporated in or installed on or

attached to any such Transportation Equipment pursuant to any requirement of law or any governmental regulation, and (c) any and all non-removable improvements (herein, "Transportation Equipment");

(b) All other equipment, fixtures, machinery and tangible personal property of every kind and nature;

(c) All leases, use agreements, service agreements or other agreements in the nature thereof (however denominated), with respect to Transportation Equipment or otherwise, under which any Grantor is the lessor, owner or other equivalent party (herein, "Leases");

(d) (i) All rent, issues, profits, revenues, fees, lease payments, additional rents and all other amounts due or to become due and payable to any Grantor from any Person arising from or pursuant to the Leases, including all mileage allowances paid by any railroad or other user for the use of the Transportation Equipment, (ii) all claims for damages arising out of the breach or termination of the Leases, (iii) the right, if any, to terminate the Leases, to perform thereunder and to compel performance of the terms thereof, (iv) the right to take possession of the Transportation Equipment subject to the Leases, (v) the right to give waivers and to enter into any amendments relating to the Leases or any provision thereof, (vi) the right to take such action upon the occurrence of an event of default (as therein defined) under the Leases, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Leases or by law, (vii) all other rights, claims, causes of action, if any, which any Grantor may have against any lessee, including the right to exercise any options or remedies under the Leases; (viii) all other proceeds (including casualty value insurance and indemnity payments) due from any lessee pursuant to a Lease, whether the result of a casualty occurrence, damage to or destruction of any Transportation Equipment or otherwise; and (ix) all chattel paper, contracts, instruments and other documents evidencing each Lease and any monies due or to become due to any Grantor thereunder or related thereto; and (x) all payments under insurance payable by reason of any loss, tort or other claims or awards arising out of any damage to, condemnation, or requisition of any Transportation Equipment;

(e) All warranties, indemnities, claims, contracts, contract rights, rights to payment of money or similar rights including those with respect to the Transaction Documents and the Transportation Equipment, including any such rights relating to the reconditioning work performed on any Transportation Equipment, tax refund claims, and policies and contracts of insurance;

(f) All rights, if any, to the identifying marks assigned to the Transportation Equipment;

(g) All guaranties, letters of credit, assigned interests held by any Grantor in leases or other properties of any other Person, and other property in favor of or given or granted to a Grantor, including those securing or as support for the payment or performance of any Lease;

(h) All Records (for purposes hereof "Records" means all computer programs, software, hardware, source code and data processing information, and, all books, invoices,

ledgers and other writings pertaining to, the Transportation Equipment, the Leases or any other item of Collateral) accounts;

(i) All goods, inventory, accounts, accounts receivable, notes receivable and chattel paper;

(j) All documents, instruments, investment property, leases and general intangibles;

(k) All patents, trademarks, trade names, copyrights, engineering drawings and service marks;

(l) All cash, cash accounts, monies and property of any Grantor now or hereafter coming into possession, authority or control of the Agent or any agent or affiliate of the Agent in any way, for any purpose (whether pursuant to any provision of any Loan Document or for safekeeping, deposit, custody, pledge, transmission, or otherwise); and

(m) All improvements, replacements, attachments, additions, accessories and accessions to, substitutions for, products and proceeds (whether cash or non-cash) of all of the properties or interests described in this §1.

§2. Obligations Secured. The "Obligations" secured by the Collateral hereunder shall mean (a) the due and punctual payment of (i) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of Holding, HFC or any Subsidiary Guarantor to the Secured Parties under the Credit Agreement or any other Loan Document, (b) the due and punctual payment and performance of all covenants, agreements, obligations, and liabilities of Holding, HFC and the Subsidiary Guarantors, monetary or otherwise, under or pursuant to the Credit Agreement and the other Loan Documents and (c) the due and punctual payment of all obligations of Holding and or HFC to any one or more of the Secured Parties arising out of any interest rate hedging arrangement or agreement (an "Interest Rate Agreement") entered into by Holding or HFC with such Agent or Secured Parties (each an "Interest Rate Party") to satisfy the provisions of §2.19 of the Credit Agreement, *provided* that the loss or economic exposure of an Interest Rate Party, if any, resulting from a breach by Holding or HFC of the relevant Interest Rate Agreement, as reasonably determined by such Interest Rate Party in accordance with sound financial practices, shall be deemed "principal" for purposes of the application of proceeds pursuant to §3.

§3. Pro Rata Security; Application of Proceeds of Collateral. All amounts owing with respect to the Obligations shall be secured by the Collateral pro rata based on the amount of the Obligations owing to the Agent and each Lender without distinction as to whether some Obligations are then due and payable and other Obligations are not then due and payable. Upon any realization upon the Collateral by the Agent, including receipt of insurance proceeds or

payment in lieu thereof or upon foreclosure and sale of all or part of the Collateral, the proceeds thereof shall be applied (a) first, to the payment of reasonable expenses incurred with respect to maintenance and protection of the Collateral pursuant to §7 or as otherwise provided for herein or in the Credit Agreement and of expenses incurred pursuant to §13 with respect to the sale of or realization upon any of the Collateral or the perfection, enforcement or protection of the rights of the Agent (including reasonable attorneys' fees and out-of-pocket expenses of every kind), (b) second, to all amounts of interest, expenses, fees, and other charges outstanding which constitute Obligations, in such order as the Agent shall determine in its discretion, (c) third, to all amounts of principal outstanding which constitute Obligations and (d) fourth, any surplus shall be paid to the Grantors.

§4. Representations and Warranties. The Grantors jointly and severally represent and warrant to the Agent as of the Closing as follows:

(a) Each Grantor's chief executive office and principal place of business is located at the address indicated on Schedule 1 hereto and it maintains its books and records at such address. No Grantor has conducted business under any name other than its name indicated herein.

(b) No Event of Default or Default exists.

(c) Other than in respect of Permitted Liens, there is no effective financing statement, security agreement or other instrument similar in effect naming any Grantor as the "debtor" or similar obligated party or, to the best knowledge of each Grantor, covering all or any part of the Collateral on file with the United States Surface Transportation Board or in any recording or filing office in California, except such as may have been filed in favor of the Agent and no Grantor has filed or consented to the filing of any security agreement, mortgage, financing statement or analogous document under any applicable laws covering any Collateral in any federal, state or local filing office.

(d) The Grantors own the Collateral free and clear of all Liens except for Permitted Liens.

(e) The Grantors have paid or caused to be paid the full cost of the Transportation Equipment and all rights of any vendors of any of such Transportation Equipment holding a security interest therein to secure Borrower's obligations, if any, for the purchase price thereof have been terminated and released.

(f) The Grantors have all necessary authority to encumber and grant a security interest in the Collateral.

(g) The Transportation Equipment subject to the Leases is described and properly identified by serial, running or other identifying mark and number in such Leases.

(h) The original executed counterpart of each Lease is the only original executed counterpart (other than the one delivered to lessee) of such Lease and no Grantor has possession of or control over any other duplicate executed counterpart of such Lease.

§5. Covenants. From the date of this Agreement and thereafter until this Agreement is terminated pursuant to §19:

(a) Upon the occurrence and during the continuation of any Event of Default, each Grantor will deliver to the Agent immediately upon the Agent's request (i) the Lease Files (as defined in §6), (ii) the originals of all instruments and documents constituting Collateral, endorsed and assigned to the Agent, (iii) all proceeds of the Collateral, and (iv) the Records;

(b) At all times, all Transportation Equipment shall be insured in accordance with §6.15 of the Credit Agreement.

(c) At all times, each Grantor shall keep and maintain the Collateral free and clear of all Liens except Permitted Liens.

(d) Each Grantor will pay or cause to be paid when due all taxes, assessments and governmental charges and levies upon the Collateral, except as otherwise permitted pursuant to the proviso in §3.10 of the Credit Agreement.

(e) Each Grantor shall execute and deliver to the Agent from time to time at its request all documents and instruments, including financing statements and supplemental security agreements, and to take all action as the Agent may reasonably deem necessary or proper to perfect or otherwise protect its Lien on the Collateral created hereby.

(f) Each Grantor will furnish to the Agent such reports relating to the Collateral as the Agent may from time to time reasonably request.

(g) Each Grantor shall faithfully abide by, perform and discharge each and every material obligation, covenant, condition, duty and agreement which, under the terms of the Leases, is to be performed by such Grantor.

§6. Leases. From the date of this Agreement and thereafter until this Agreement is terminated pursuant to §17:

(a) Each Grantor shall maintain, at One Embarcadero Center, Suite 3700, San Francisco, CA 94111, a separate file with respect to each Lease which shall contain (i) the original counterpart of each Lease, and (ii) a copy of the Memorandum of Lease filed and recorded with the Surface Transportation Board pursuant to §6(a) which has been endorsed by the Surface Transportation Board to indicate the date and time such filing was made and the recordation number under which it was filed (collectively the "Lease File").

§7. Special Provisions. In connection with the Collateral:

(a) At any time after the occurrence of an Event of Default, the Agent may, in its sole discretion, take possession of any or all proceeds of the Collateral, which the Agent will apply in accordance with §3.

(b) After notice from the Agent and the continued failure of any Grantors to do so, but without having any obligation to do so, the Agent may perform or pay any obligation that

such Grantor has agreed to perform or pay under this Agreement including the payment or discharge of taxes or Liens levied or placed on or threatened against the Collateral or obtaining and maintaining insurance as provided in §5(b). In so performing or paying, the Agent shall determine the action to be taken and the amount necessary to discharge such obligations. The Grantors shall reimburse the Agent on demand for any amounts paid by the Agent pursuant to this §7(b), which amounts shall constitute Obligations secured by the Collateral.

(c) For the purpose of protecting, preserving and enforcing the Collateral and the Agent's rights under this Agreement, each Grantor hereby appoints the Agent, with full power of substitution, as its attorney-in-fact, effective upon the occurrence of a Default or Event of Default, with full power and authority: to do any act which such Grantor is obligated to do, or the Agent has the right to do, hereunder; to exercise such rights with respect to the Collateral as the Grantors might exercise; to peaceably enter such Grantor's premises where Records are located; to give notice of the Agent's security interest in and to collect the Collateral and the proceeds; and to execute and file in such Grantor's name any financing statements, supplementary security agreements, amendments and continuation statements necessary or desirable to perfect or continue the perfection of the Agent's security interests in the Collateral. Each Grantor hereby ratifies all that the Agent shall lawfully do or cause to be done by virtue of this appointment.

(d) During the continuance of any Event of Default, the Agent may act as attorney-in-fact for each Grantor with full power and authority, (i) in obtaining and maintaining insurance provided for in §5(b), prepare, adjust, execute, deliver and receive payment under insurance claims, and collect and receive payment of and endorse any draft or instrument in payment of loss or returned premiums or any other insurance refund or return and (ii) in obtaining any payments in lieu of insurance due from any lessee who is a self-insurer under a Lease; and, during the continuance of an Event of Default, any amounts collected or received under any such policies or in lieu thereof shall be applied by the Agent to Obligations in accordance with the provisions of §3, or at the option of the Agent, the same may be released to the applicable Grantor, but such application or release shall not cure or waive any default hereunder and no amount so released shall be deemed a payment on any Obligation secured hereby.

(e) To further carry out the terms of this Agreement, during the continuance of any Event of Default, the Agent may, as each Grantor's attorney-in-fact:

(1) Execute any statements or documents to take possession of, and endorse and collect and receive delivery or payment of, any checks, drafts, notes, acceptances or other instruments and documents constituting the payment of amounts due and to become due or any performance to be rendered with respect to the Collateral;

(2) Sign and endorse any storage or warehouse receipts; drafts, certificates and statements under any commercial or standby letter of credit, assignments, leases, bills of sale, or any other documents relating to the Collateral, including the Records;

(3) File any claim or take any other action or proceeding in any court of law or equity or as otherwise deemed appropriate by the Agent for the purpose of collecting

any and all monies due or securing any performance to be rendered with respect to the Collateral; and

(4) Commence, prosecute or defend any suits, actions or proceedings or as otherwise deemed appropriate by the Agent for the purpose of protecting or collecting the Collateral; and in furtherance of this right, the Agent may apply for the appointment of a receiver or similar official, and, to the fullest extent permitted by law, each Grantor hereby waives any right to oppose such appointment.

(f) The powers of attorney created in §§7(c), (d) and (e) are powers coupled with an interest and are irrevocable. The powers conferred on the Agent hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon the Agent to exercise such powers. The Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and in no event shall the Agent or any of its directors, officers, employees, agents or representatives be responsible to any Grantor for any act or failure to act, except for gross negligence or willful misconduct. The Agent may exercise such powers of attorney without notice to or assent of any Grantor, in the name of a Grantor, or in the Agent's own name, from time to time in the Agent's sole discretion and at the Grantors' expense.

(g) Each Grantor acknowledges the Agent's right, to the extent permitted by applicable law and in good faith, singly to execute and file financing statements without execution by such Grantor.

§8. Interest Rate Parties. Any Interest Rate Party that enters into an Interest Rate Agreement with a Grantor shall be entitled to participate in this Agreement and, beneficially, in the Collateral. No reference herein to an Interest Rate Party shall be construed to amend or waive any provisions of the Loan Documents limiting or regulating any Grantor's ability to incur additional Indebtedness or grant additional Liens upon its assets.

§9. Remedies. Upon the occurrence and during the continuance of any Event of Default, whether or not the Obligations are due, the Agent may demand, sue for, collect, or make any settlement or compromise it deems desirable with respect to the Collateral. Regardless of the adequacy of the Collateral or any other security for the Obligations, after the occurrence and during the continuance of an Event of Default, any deposits or other sums credited by or due from the Agent to any Grantor may at any time be applied to or set off against any of the Obligations. The amount of any such setoff shall be applied as provided in §3 hereof. Upon the occurrence and during the continuance of any Event of Default (whether or not any acceleration of the maturity of the amounts due in respect of any of the Obligations shall have occurred), to the fullest extent permitted by applicable law:

(a) The Agent shall have, in addition to all other rights and remedies given it by any instrument or other agreement evidencing, or executed and delivered in connection with, any of the Obligations and otherwise allowed by law, the rights and remedies of the Agent under the Uniform Commercial Code as enacted in any applicable jurisdiction and the rights and remedies of the Agent holding a security interest in collateral pursuant to the Interstate Commerce Commission Termination Act of 1995, as amended, and without limiting the generality of the foregoing, the Agent may without (to the fullest extent permitted by law) demand of

performance or advertisement or notice of intention to sell or of time or place of sale or of redemption or other notice or demand whatsoever, (except that the Agent shall give to (any applicable Grantor) at least 10 days' notice of the time and place of any proposed sale or other disposition), all of which are hereby expressly waived to the fullest extent permitted by law, sell at public or private sale or otherwise realize upon, in the City of Boston, Massachusetts, or elsewhere, the whole or from time to time any part of the Collateral in or upon which the Agent shall have a security interest or Lien hereunder, or any interest which any Grantor may have therein, and after deducting from the proceeds of sale or other disposition of Collateral all expenses (including all reasonable out-of-pocket expenses for legal services) as provided in §13, shall apply the residue of such proceeds toward the payment of the Obligations in accordance with §3 of this Agreement, the Grantors remaining liable, jointly and severally, for any deficiency remaining unpaid after such application and being entitled to any surplus. If notice of any sale or other disposition is required by law to be given to the Grantors, each Grantor hereby agrees that a notice given as hereinbefore provided shall be reasonable notice of such sale or other disposition. Each Grantor also agrees to assemble the Collateral at such place or places as the Agent reasonably designates by notice. At any such sale or other disposition, the Agent may itself, and any other Person owed any Obligation may itself, to the extent permitted by applicable law, purchase the whole or any part of the Collateral sold, free from any right of redemption on the part of any Grantor, which right is hereby waived and released to the fullest extent permitted by applicable law.

(b) The Agent may (i) enter upon the premises of each Grantor, exclude such Grantor therefrom and take immediate possession of the Collateral, either personally or by means of a receiver appointed by a court therefor; (ii) at its option, use, operate, manage and control the Collateral in any lawful manner; (iii) demand, collect, receive, retain, and give acquittance for all rents, income, revenue, earnings, issues and profits therefrom; (iv) endorse and cash any checks, drafts or other orders for the payment of money payable to any Grantor, and negotiate any other instrument or compromise any claim, in each case, if desirable, in the name of such Grantor; (v) perform or discharge any obligation or duty of a Grantor under the Leases to such extent as the Agent may deem necessary or advisable to protect the security provided hereunder; (vi) assign its rights and interests in the Leases, without the Grantors' consent, to any successor or assignee of the Agent or to any other third party; (vii) maintain, repair, renovate, alter or remove the Collateral as the Agent may reasonably determine in its discretion; (viii) file any claims or take any action or proceedings which the Agent may deem to be necessary or advisable, in the name of the Grantors if desirable; and (ix) otherwise act in accordance with the rights, powers and interest assigned and granted to the Agent pursuant to this Agreement.

(c) With respect to the Leases:

(i) Each Grantor shall, at the request of the Agent, notify the lessee of each Lease of the security interest of the Agent in such Lease that payments under such Leases are to be made directly to the Agent, and the Agent may itself at any time during the continuance of such Event of Default, without further notice to or demand upon such Grantor, so notify such lessees by sending a Lease Directive or other notification to such Person.

(ii) It is expressly agreed by each Grantor that, anything herein to the contrary notwithstanding, such Grantor shall remain liable under each Lease to observe and perform all

the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Agent shall have no obligation or liability under any Lease by reason of or arising out of this Agreement or the assignment of any Lease to the Agent or the receipt by the Agent of any payment relating to such Lease pursuant hereto, nor shall the Agent be required or obligated in any manner to perform or fulfill any of the obligations of a Grantor under or pursuant to any Lease, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any performance by any party under such Lease, or to present or file any claim, or to take any action to enforce the observance of any obligations of any party to such Lease.

(iii) Notwithstanding the foregoing, the Agent recognizes the right of the lessee under each Lease to the quiet enjoyment of the Transportation Equipment that is subject to such Lease so long as such lessee is not in default under its Lease, and the Agent agrees that in pursuing its remedies under this §9(c) it shall not interfere with such quiet enjoyment so long as no such default exists.

Monies collected or received by the Agent pursuant to this §9 shall be applied to, or may be accumulated for application upon, the Obligations in accordance with §3 of this Agreement.

In case the Agent shall have proceeded to enforce any right under this Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then in each and every such case the Grantors, the Agent and the Lenders shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest and Lien created under this Agreement.

§10. Marshaling. The Agent shall not be required to marshal any present or future security for (including this Agreement and the Collateral subject to the security interest created hereby), or guaranties of, the Obligations or any of them, or to resort to such security or guaranties in any particular order; and all of its rights hereunder and in respect of such securities and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may waive such right, each Grantor hereby agrees that it will not invoke any law relating to the marshaling of Collateral which might cause delay in or impede the enforcement of the Agent's rights under this Agreement or under any instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or guaranteed, and to the extent that it lawfully may waive such benefits, each Grantor hereby irrevocably waives the benefits of all such laws.

§11. Grantors' Obligations Not Affected. To the extent permitted by applicable law, the obligations of each Grantor under this Agreement shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of any Grantor; (b) any exercise or nonexercise, or any waiver, by the Agent of any right, remedy, power or privilege under or in respect of any of the Obligations or any security therefor (including this Agreement); (c) any amendment to or modification of this Agreement, any other Loan Document or any instrument evidencing any of the Obligations or pursuant to which any of them were issued; (d) any amendment to or modification of any instrument or agreement (other than this Agreement) securing any of the Obligations; or (e) the taking of additional security for or any guaranty of any

of the Obligations or the release or discharge or termination of any security or guaranty for any of the obligations; and whether or not the Grantors or any of them shall have notice or knowledge of any of the foregoing.

§12. No Waiver. No failure on the part of the Agent to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Agent of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy and power hereby granted to the Agent or allowed to it by law or other agreement, including the Credit Agreement, the Notes or any other Loan Document, shall be cumulative and not exclusive of any other, and, subject to the provisions of this Agreement, may be exercised by the Agent from time to time.

§13. Expenses. The Grantors agree, jointly and severally, to pay, on demand, all reasonable out-of-pocket costs and expenses (including reasonable attorneys fees and expenses for legal services of every kind) of the Agent incidental to the sale of, or realization upon, any of the Collateral or in any way relating to the perfection, enforcement or protection of the rights of the Agent hereunder, provided that if the Grantors prevail on the merits in any legal action brought by the Agent related to the foregoing, the Grantors shall not be required to pay such costs and expenses of the Agent in such legal action; and the Agent may at any time apply to the payment of all such costs and expenses all monies of the Grantors or other proceeds arising from its possession or disposition of all or any portion of the Collateral pursuant to this Agreement.

§14. Consents, Amendments. Waivers. Etc. Any term of this Agreement may be amended, and the performance or observance by the Grantors of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only in accordance with the provisions of §16 of the Credit Agreement.

§15. **GOVERNING LAW. EXCEPT AS OTHERWISE REQUIRED BY THE LAWS OF ANY JURISDICTION IN WHICH ANY COLLATERAL IS LOCATED OR BY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, THIS AGREEMENT AND THE PARTIES' RIGHTS AND OBLIGATIONS HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.**

§16. **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN**

THIS SECTION.

§17. Jurisdiction; Consent to Service of Process.

(a) Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any Massachusetts court or Federal court of the United States of America sitting in Boston, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Massachusetts state or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Grantor or its properties in the courts of any other jurisdiction.

(b) Each Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any Massachusetts state or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in §21. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

§18. Parties in Interest. All terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto.

§19. Termination. Upon payment in full of the Loans and all other amounts then due and payable under the Loan Documents in accordance with their terms, and termination of all Commitments, this Agreement shall terminate and the Grantors shall be entitled to the return, at the Grantors' expense, of such Collateral in the possession or control of the Agent as has not theretofore been disposed of pursuant to the provisions hereof. The Agent will take such actions as the Grantors may reasonably request in order to terminate of record the security interests and Liens created hereby.

§20. Partial Termination. If any Grantor shall sell any Transportation Equipment in a transaction that is permitted under the Credit Agreement, the Agent, at the Grantors' expense, shall release its security interest and Lien granted hereunder in the Transportation Equipment subject to such sale by transmitting to and filing with the Surface Transportation Board a filing request and Partial Termination of Security Agreement in substantially the forms attached hereto as Exhibit A (a "Partial Termination").

§21. Notices. Except as otherwise expressly provided herein, all notices, consents, waivers, approvals shall be in writing. Notices and other communications made or required to be given pursuant to this Agreement shall be made in accordance with the provisions of §14 of the Credit Agreement.

§22. Additional Grantors. Pursuant to §7.17 of the Credit Agreement, certain additional Subsidiaries may be required under the terms of the Credit Agreement from time to time to enter into this Agreement as a Grantor. Upon execution and delivery by the Agent and such a Subsidiary of an instrument in the form of Exhibit B, such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of such an instrument shall not require the consent of any Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

§23. Rules of Interpretation. The rules of interpretation specified in §1.2 of the Credit Agreement shall be applicable to this Agreement.

§24. Entire Agreement. This Agreement is intended by the Grantors and the Agent as the final expression of the Grantors' obligations to the Agent in connection with the Collateral and supersedes all prior understandings or agreements concerning the subject matter hereof.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as an instrument under seal by their authorized representatives as of the date first written above.

HELM HOLDING CORPORATION

By: John F. Dains
Name: JOHN F. DAINS
Title: CHIEF FINANCIAL OFFICER

HELM FINANCIAL CORPORATION

By: John F. Dains
Name: JOHN F. DAINS
Title: CHIEF FINANCIAL OFFICER

HELM LOCOMOTIVE LEASING
CORPORATION

By: John F. Dains
Name: JOHN F. DAINS
Title: CHIEF FINANCIAL OFFICER

FLEET NATIONAL BANK, as the Agent for
the Secured Parties

By: _____
Name:
Title:

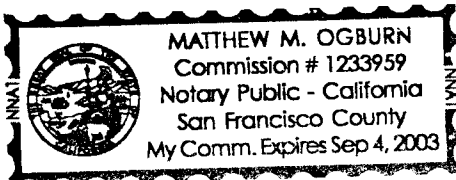
[Security Agreement]

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN FRANCISCO)

On this 13th day of October, 2000, John F. Dains, to me known (or proved to me on the basis of satisfactory evidence) to be such person and officer of Helm Holding Corporation, a California Corporation, who executed the foregoing instrument, and acknowledged that he executed the same as such officer as the deed of said corporation, by its authority.

WITNESS my hand and official seal



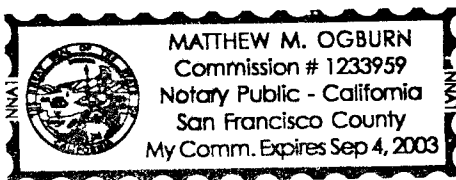
Matthew M. Ogburn
Notary Public

Matthew M. Ogburn
Name (Typed or Printed)

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN FRANCISCO)

On this 13th day of October, 2000, John F. Dains to me known (or proved to me on the basis of satisfactory evidence) to be such person and officer of Helm Financial Corporation, a California Corporation, who executed the foregoing instrument, and acknowledged that he executed the same as such officer as the deed of said corporation, by its authority.

WITNESS my hand and official seal



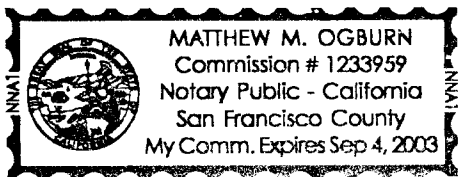
Matthew M. Ogburn
Notary Public (SEAL)

Matthew M. Ogburn
Name (Typed or Printed)

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN FRANCISCO)

On this 13th day of October, 2000, John F. Dains, to me known (or proved to me on the basis of satisfactory evidence) to be such person and officer of Helm Locomotive Leasing Corporation, a California Corporation, who executed the foregoing instrument, and acknowledged that he executed the same as such officer as the deed of said corporation, by its authority.

WITNESS my hand and official seal



Matthew M. Ogburn
Notary Public

Matthew M. Ogburn
Name (Typed or Printed)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as an instrument under seal by their authorized representatives as of the date first written above.

HELM HOLDING CORPORATION

By: _____
Name:
Title:

HELM FINANCIAL CORPORATION

By: _____
Name:
Title:

HELM LOCOMOTIVE LEASING CORPORATION

By: _____
Name:
Title:

FLEET NATIONAL BANK, as the Agent for the Secured Parties

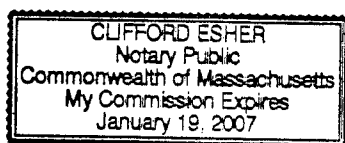
By: *Victor Garcia*
Name: *Victor Garcia*
Title: *Managing Director*

[Security Agreement]

STATE OF MA)
) ss.
CITY AND COUNTY OF)

On this 13th day of October, 2000, before the undersigned, a Notary Public in and for said State, personally appeared Victor Garcia, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same in his authorized capacity, and that by his signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal



Clifford Esher
Notary Public

Clifford Esher
Name (Typed or Printed)

I. SUBSIDIARY GRANTORS

Helm Locomotive Leasing Corporation

**II. GRANTORS CHIEF EXECUTIVE OFFICE
AND PRINCIPAL PLACE OF BUSINESS**

- A. Helm Holding Corporation
One Embarcadero Center
San Francisco, CA 94111.
- B. Helm Financial Corporation
One Embarcadero Center
San Francisco, CA 94111.
- C. Helm Locomotive Leasing Corporation
One Embarcadero Center
San Francisco, CA 94111.

EXHIBIT A
TO
SECURITY AGREEMENT

Secretary
Surface Transportation Board
Washington, D.C. 20423

[DATE]

Dear _____ :

On behalf of Fleet National Bank, we herewith submit for filing and recording under 49 U.S.C. Section 11301 (a) and the regulations promulgated thereunder, four (4) executed counterparts of a document, entitled Partial Termination of Security Agreement (the "Partial Termination"), executed as of _____ which should be included as part of the filing recorded on _____, 2000 at _____ a.m., Recordation No. _____ as the next available recordation number being _____ - _____.

The executing party to enclosed Partial Termination is:

Fleet National Bank, as Agent - Agent
100 Federal Street
Boston, MA 02110

The Partial Termination, among other things, terminates the security interest of the Agent in the equipment listed on Exhibit A to the Partial Termination.

The equipment covered is listed on the Partial Termination.

A short summary of the document to appear in the STB Index is as follows:

"Partial Termination of Security Interest."

Enclosed is a check in the amount of _____ Dollars (\$____) in payment of the filing fee. Once the filing has been made, please return to bearer the stamped counterparts of the Partial Termination not needed for your files, together with the fee receipt, the letter from the STB acknowledging the filing, and the two extra copies of this transmittal letter.

Very truly yours,

PARTIAL TERMINATION OF
SECURITY AGREEMENT

THIS PARTIAL TERMINATION OF SECURITY AGREEMENT, dated as of _____ by Fleet National Bank, as agent for certain secured parties (the "Agent"), for the benefit of _____ (the "Grantor").

1. Recitals. The Grantor owns _____ railcars bearing the marks and numbers as listed on Exhibit A attached hereto (the "Units"). The Grantor has granted a blanket security interest in all of its railcars at any time or from time to time owned by the Grantor or in which the Grantor has any interest (the "Collateral"), to the Agent upon the terms and conditions provided in that certain Security Agreement, dated as of _____, 2000, between the Grantor, certain other grantors and the Agent, as amended (the "Security Agreement") and filed at the Surface Transportation Board under Recordation No. _____ filed on _____, 2000 at ____ a.m.

The Grantor has sold the Units to a third party as permitted by the Security Agreement and desires that the Units be free and clear of any lien or security interest of the Agent. Pursuant to the terms of the Security Agreement, the Agent and the Grantor desire to terminate the Agent's security interest in the Units.

2. Termination of Security Interest. The Agent's security interest in the Units shall be and is hereby terminated upon the filing of this Partial Termination with the Surface Transportation Board and all of the Agent's right, title and interest in and to the Units shall and has become null and void.

This Release shall have no effect on the Agent's security interest in and lien on any Collateral other than the Units and said security interest in and lien on such other Collateral is hereby reaffirmed.

IN WITNESS WHEREOF, the Agent, pursuant to due authority, has executed this Partial Termination of Security Agreement as of the date first above written.

FLEET NATIONAL BANK, as Agent

By: _____
Name: _____
Title: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, 2000, before me, _____ (here insert name and title (e.g., Notary Public) of the officer), personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Notary Public

EXHIBIT A
TO
PARTIAL TERMINATION

<u>Transportation Equipment Description</u>	<u>Quantity</u>	<u>Transportation Equipment Nos.</u>
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SECURITY AGREEMENT SUPPLEMENT

SUPPLEMENT NO. ____ dated as of [_____] to the Security Agreement dated as of _____, 2000, as amended from time to time (the "Security Agreement"), among HELM HOLDING CORPORATION, a California corporation ("Holding"), HELM FINANCIAL CORPORATION, a California corporation ("HFC"), HELM LOCOMOTIVE LEASING CORPORATION, a California corporation ("HLLC"), each other subsidiary of Holding or HFC that is listed on Schedule 1 thereto or that becomes a party thereto as provided in §22 thereof (collectively, the "Subsidiary Grantors") (Holding and HFC are referred to together as the "Borrowers" and the Borrowers and all Subsidiary Grantors are referred to collectively as the "Grantors") and FLEET NATIONAL BANK ("Fleet") as collateral agent (in such capacity, the "Agent") for the Secured Parties (as defined in the Credit Agreement referred to below).

RECITALS:

A. Reference is made to (a) the Credit Agreement dated as of _____, 2000 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrowers, the lenders from time to time party thereto (the "Lenders"), and Agent, and (b) the Guaranty Agreement and the other Loan Documents referred to in the Credit Agreement.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement and the Credit Agreement.

C. The Grantors have entered into the Security Agreement to induce the Lenders to make Loans. Section 22 of the Security Agreement provides that additional Subsidiaries may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Grantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lenders to make additional Loans and as consideration for Loans previously made.

NOW, THEREFORE, the Agent and the New Grantor agree as follows:

SECTION 1. In accordance with §22 of the Security Agreement, the New Grantor by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor and the New Grantor hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and as of the date hereof. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Obligations (as defined in the Credit Agreement), does hereby create and grant to the Agent, its successors and assigns,

for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Grantor's right, title and interest in and to the Collateral (as defined in the Security Agreement) of the New Grantor. Each reference to a Grantor in the Security Agreement shall be deemed to include the New Grantor. The Security Agreement is hereby incorporated herein by reference.

SECTION 2. The New Grantor represents and warrants to the Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Grantor and the Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Grantor hereby represents and warrants that (a) set forth on Schedule I attached hereto is a true and correct schedule of the location of any and all Collateral of the New Grantor and (b) set forth under its signature hereto, is the true and correct location of the chief executive office of the New Grantor.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS SPECIFIED IN §15 OF THE SECURITY AGREEMENT.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in §21 of the Security Agreement. All communications and notices hereunder to the New Grantor shall be given to it in care of Holding.

SECTION 9. The New Grantor agrees to reimburse the Agent for its reasonable out-of-pocket expenses in connection with the preparation of this Supplement and the perfection,

enforcement or protection of the rights of the Agent hereunder, including the reasonable fees, other charges and disbursements of counsel for the Agent.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Supplement to be duly executed as an instrument under seal by their authorized representatives as of the date first written above.

[NEW GRANTOR]

By: _____
Name:
Title:

FLEET NATIONAL BANK, as Agent for the Secured Parties

By: _____
Name:
Title: